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Class. CHANGED TO: TS S O

DDA Memo, 4 Apr 77

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GENERAL

Date: 15 MAR 1978

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1. US agrees in principle to Stalin's proposals--The Department of State has informed US Ambassador Smith that the US accepts in principle, subject to clarification of the Berlin currency arrangement, the three-point agreement proposed by Stalin for settling the Berlin question. The US condition for acceptance of the Soviet Zone mark is an agreement providing for quadripartite control of the availability and use of the new currency in Berlin. Such an agreement, the US considers, should include the control of credit, uniform application of credit rules and currency issue within Berlin, availability of sufficient funds for occupation powers, and arrangements to cover trade between the western zones and Berlin.

2. US delegation will force consideration of vital Danube issues--The Department of State has instructed the US delegation to the Danube Conference in Belgrade to set forth the US position promptly and to bring the vital issues to a head, in order to test Soviet willingness to negotiate an acceptable instrument. The Department believes that the paramount issue is the question of western power participation in a future Danube regime. The Department adds that the US will not recognize the jurisdiction of any new control body over the Austrian and German Danube unless the western powers are represented on such a body.

3. US urges postponing decision on Libya in UNGA--The Department of State has informed US Embassies London and Paris that the current three-power discussions on the Italian colonies have not, in the US opinion, taken sufficiently into account the political realities which the US, the UK, and France will have to deal with in the UN General Assembly and which will determine the final solutions. The Department feels that the only course is to advocate postponement in the GA of any decision on Libya, because strong GA sentiment for Libyan independence will virtually preclude agreement to UK trusteeship over Cyrenaica, to which the US remains committed. This view is to be strongly emphasized to Bevin and Schuman.

State Department review completed

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The Department adds that the US will neither support Italian trusteeship for Tripolitania nor accept US trusteeship. The US agrees to Italian trusteeship over Somaliland but is strongly opposed to placing Italy once again on two of Ethiopia's frontiers; the US therefore urges that the UK agree to division of Eritrea between Ethiopia and the Sudan.

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4. US unwilling to send Marines for guard duty in Palestine--
The Department of State has instructed US Consul General Jerusalem to inform Count Bernadotte that the US is not prepared to send Marines to Palestine for guard duty because:
(a) provision of such troops might require additional US commitments to preserve the security of the original detachments; and (b) there has been no Security Council action providing for armed contingents of member governments for police duty. The Department is concurrently seeking British support of the US position with Bernadotte.

EUROPE

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5. GERMANY: Currency reform damages Communist finances --
The Office of the US Political Adviser in Heidelberg confirms that currency reform in the Western Zones, by depriving the German Communist Party (KPD) of its previous large monetary resources, has left the Party in straitened financial circumstances. The Heidelberg Office reports that the Hamburg branch of the Party must restrict its expenditures to the most essential items and that members of the KPD student group in that city, hitherto supported by grants from Berlin, have been advised to "go and live in the Eastern Zone."

(CIA Comment: CIA believes that the Socialist Unity Party (SED) in the Eastern Zone will be able to furnish sufficient funds to a small group of KPD agents to maintain the core of the organization.)

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